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"Bimetallism"

Manchester

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"BIMETALLISM."

AN ADDRESS

BY

SIR W. H. HOULDSWORTH, BART., M.P.

(Member of the late Royal Commission on Gold and Silver).

March 12th, 1889.

PUBLISHED BY
THE BIMETALLIC LEAGUE,
HAWORTH'S BUILDINGS, 5, CROSS STREET, MANCHESTER.
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SECRETARY

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"BIMETALLISM."

An Address to the Members of the Carlton Club, Manchester,
March 12th, 1889,

BY

SIR WM. H. HOULDSWORTH, BART., M.P.

I propose to consider the subject, which I have undertaken to introduce to you this evening, under three heads:

I. The Theory of Price and Exchange.
II. The Evils of Falling Prices.
III. Bimetallism as a Remedy.

I. The Theory of Price and Exchange.

Price represents the value of a commodity in terms of another commodity, which is chosen as a standard. In this country that standard is gold. Price here, then, is the expression of the weight of gold for which a given commodity can be exchanged in the market. Price is variable. It is not like a yard measure which is always the same. What then governs variations of price? The common answer is *Supply and Demand,* and this is true if we rightly under-

stand what the words Supply and Demand really represent. When we speak of Demand for an article, we do not mean the *number* of *people* who want, or would like to possess the article, for that in many cases might be unlimited. But we mean, in reference to price, the quantity of gold which is seeking to be exchanged for the article. Similarly when we speak of supply we do not refer to the number of people who want to exchange the commodity they possess for an equivalent in gold, but we mean the *quantity* of the article which is seeking gold. Price therefore is fixed from time to time by the proportion between these two quantities. If the weight of gold ready to be exchanged for a particular commodity for any reason increases, the price will rise, that is, more gold will be given for a yard or a ton of the commodity. The reverse will happen if less gold offers itself. And so with the commodity. If we assume the weight of gold seeking exchange with this supposed commodity to remain the same at one time as at another, but the quantity of the commodity seeking gold to be increased, the price will fall. The reverse will happen if the quantity decreases.

Now what is true of one article, and the gold seeking to to be exchanged for *it*, is true of the aggregate of all articles and services exchangeable with gold, in comparison with the total quantity of gold available for exchange.

It will thus be seen that the quantity of gold in the world (deducting, of course, what may be hoarded and which is in the same position, as far as exchange is concerned, as if it did not exist) is an important factor in determining prices. For it is the proportion which exists between that quantity, and the quantity of things which it is used to measure, which regulates the average level of prices. The price of each article will rise or fall according to the proportion between it, and that part of the total quantity of gold which

is seeking to be exchanged against it, and this may vary from time to time whether the general level is rising or falling, but the general level is fixed by the proportion between the total quantity of gold in circulation on the one hand, and the total quantity of commodities and services seeking to be exchanged against gold on the other. What is true of gold and gold prices in gold using countries is also true of silver and silver prices where that metal is the standard of value. It is the proportion which the total quantity of silver in circulation bears to the total quantity of commodities and services of which it is the measure, which regulates the average level of silver prices.

Now what are the *facts* as to Prices during the last fifteen years? As to gold prices, after taking a sufficient number of articles to justify an approximate conclusion concerning all (and this has been done by several statisticians independently of one another), we find that these prices have fallen generally, on an average about 30 per cent. We may therefore conclude that the proportion which formerly existed between the quantity of gold on the one hand, and the commodities measured by gold on the other, has been disturbed. It matters little, as far as this conclusion is concerned, whether it is the quantity of commodities which has abnormally increased, or whether it be that the annual supply of gold, which is required to counterbalance the normal increase of commodities has diminished. The effect is the same.

In the case of silver prices, there seems, according to the best authorities, to have been no similar disturbance of level. The rupee in India buys, on the average, about as much of commodities or services as it did fifteen years ago.

This fact introduces another element which must be considered, viz., the element of exchange. In all commercial and financial transactions between gold using and silver

using countries, gold prices have to be converted into silver prices, and vice versâ. The same process has to be gone through when weight or measures are in question between countries having different standards. The English yard is not the same length as the French metre, though the difference is very slight, the one being 36 inches, the other rather more than 39 inches. But the *difference* is always the *same*. This is not the case between gold and silver. The value of these metals not only change from time to time (according to the principles already laid down) in relation to the commodities which they are respectively called upon to measure, but they may vary in their relation to one another. Hence arises what is known as monetary exchange.

II. The Evils of Falling Prices.

It will be convenient to deal with this part of the subject under two heads:—

1. The evils arising from a general fall in the gold prices of commodities and services.

2. The evils which have arisen from the fall in the gold price of silver.

1. It is necessary to premise that there may be falls in the prices of commodities which not only are not attended by any evils, but which really confer benefits upon the community. Where a fall results from a diminution in the cost of production, or of transport, or of distribution, the world is the richer. In such a case the reduction in cost precedes the fall in price, and it is only those who from want of knowledge or energy do not adopt the new methods, who need suffer. But the case is entirely different when falling prices occur from a failure in the standard measure to maintain stability. In the former case increased prosperity is the result of a fall. In the latter much injustice is done, heavy losses are sustained by the industrial classes,

much irregularity of employment ensues, and ultimately, when all adjustments are complete, wages must fall. These results of an appreciation of the standard of value are fully admitted by all who have impartially studied the question. In Part II. of the Report of the Gold and Silver Commission which it must be remembered contains the unbiassed and independent opinions of those members of the Commission, whom for the sake of brevity I may call the "Monometallists" (though I doubt whether all of them should be so stigmatised), occur these words, *Sec. 95.*—

"GOLD AND SILVER COMMISSION.

"FINAL REPORT.—PART II. *Page 83.*

"95. So far as the fall in prices can be connected with the currency it cannot be denied that it is attended with great inconveniences.

"It must tend to diminish the margin of profit, or even to cause it to disappear altogether, and this necessarily results in an effort on the part of the manufacturer to economise the cost of production by reducing the wages of the operatives.

"Even if the manufacturers could succeed in reducing wages sufficiently to maintain their former position, this could only be done after considerable struggles and an amount of friction very undesirable.

"It is true that real wages depend not on their nominal amount, but on their purchasing power, and that the wage-earning class may be in the same position as before, although they receive lower nominal wages. But this is not immediately obvious, and does not prevent the disturbance of trade and the ill-feeling which result from an effort to reduce wages.

"Further, it seems by no means clear that there has been a fall in the price of all that the wage-earner needs, and upon which his wages are expended, equivalent even to the reduction of wages which has, in fact, taken place."

I would also refer to Part I. of the Report, signed by all the Commissioners (Secs. 94, 95 and 96) where the evils of

falling prices consequent upon an appreciation of the standard are fully set out, in juxtaposition with the arguments by which these evils are sought by some to be minimised.

These evils are stated to be as follows:

(1) "An appreciating standard imposes a greater burden upon the debtor class" of the community (that is their debts are practically increased), and "borrowers," it must be remembered, "are those on whose enterprise the industrial interests of the country principally depend."

(2) "An appreciation of the standard creates uncertainty as to the profit to be made from commercial transactions, checks enterprise, and therefore impairs the productive capacity of the world."

(3) "Falling prices will, if other things remain the same, involve a reduction of profits, and a consequent indisposition to continue producing. The depressing effect thus produced by falling prices tends to curtail business and discourage enterprise. Further, so far as his production is carried on with borrowed capital, for which he" (the producer) "has to pay a fixed rate of interest, or is subject to any permanent charge from which he cannot at once free himself, he sustains a real loss, because his outgoings remain nominally the same, but are really more onerous, while his returns are diminished owing to the fall in the selling price of his produce. Moreover it is found that wages, which must necessarily form a large proportion of the total cost of production, fall less rapidly than prices. For all these reasons the necessary adjustment in the cost of production, which to maintain real profits at their normal rate, should be going on *pari passu* with the fall of prices, is always deferred, and is frequently deferred to a point at which production ceases to be remunerative."

The foregoing are quotations from the report of the Commission. But I must add another most important item of loss when prices are falling, which, though involved in these statements, deserves a place of its own. I refer to the inevitable loss upon stocks and property of all kinds which is involved

at every step of a fall. This is a most serious and heavy burden, and one for which there is no remedy except a stable standard.

Now let us see what is urged on the other side.

It is said "trade is carried on with greater circumspection" when prices are falling than when prices are rising, and that "inflation and excitement" are prevented. "That times of falling prices are usually more fertile in inventions, and, other means of diminishing the cost of production or economising the use of capital, and that the stimulus to improvement so created results in a material benefit to the community, thus affording compensation for any diminution in production caused by loss of profits." "That the transfer of value from one class of the community to another cannot be a national loss; and that, as regards the country at large, a clear gain can be shown owing to the large investments of British capital in foreign countries at a time when prices were high. With every fall of prices the real return on this capital increases and the country gains."

Such are the "sweet uses of adversity" which Job's comforters, who are not called upon to suffer Job's losses, discover in an appreciation of the standard of value!

Complete answers to these puerile arguments will be found in *Section 96* (Part I.) of the Report.

But I will not trouble you with them now. For the truth is, there is only one scientific argument which is worth replying to. That is the argument of Adjustment.

I admit that if after an appreciation of the standard has taken place, it becomes again stable, prices will ultimately adjust themselves. But when? One eminent writer on Political Economy (Professor Cairnes) says it may take half a century before complete adjustment is brought about! And during this period the evils I have enumerated are more or less in operation.

It is quite true that an universal fall of prices, if it be complete and instantaneous, is no evil. In that case we only use fewer counters or figures in our exchanges. The actual exchanges of commodities remain relatively the same. But this is only an imaginary picture. The effect of an appreciation of the standard on prices is always irregular. Let me offer an illustration. Suppose a platform, upon which there are tables and chairs, men, women, and children. If by well regulated machinery the platform be lowered in its entirety, the relations between the people and the things on the platform will remain unaltered. No one may be conscious of any change. But if the machinery be imperfect, and one end or one part of the platform be lowered more than another, confusion and disaster will inevitably ensue. You will find the table at one level, the chairs at another, yourself at a third. This represents the state of the industrial and commercial world at the present time. The bankers, luckily for them, are on a platform of their own which never moves. Creditors and persons with fixed incomes find they have risen in the world, so they don't complain. Some of the merchants have scrambled on to a friendly ledge, and look down upon the struggling mass of manufacturers and their workpeople with complacency, and wonder they make so much ado. "Why won't they be ruined quietly"? It is the industrial classes—the backbone of the country—who feel the pinch, and it is they who are demanding (naturally enough, surely) that the platform shall be made secure, and that the monetary system of the world shall be put upon a basis as stable as possible.

2. I have hitherto dealt with falling prices of commodities within the country, due to an appreciation of the standard. But I must now remind you that while silver, which is simply a commodity here, not currency, and so not a standard of value, has, in common with other commodities, fallen in

relation to gold, it has not appreciated in India or other silver-using countries. Exchange, therefore, between silver and gold has fallen; the effect of this has been to cause a fall in all articles imported from or exported to silver-using countries. This is possibly not a separate effect, but only an illustration of the general dislocation of prices due to the appreciation of gold. But as our commercial relations with India, a silver-using country, are so extensive, and as the operation of the general law in this case is so clear, it deserves a separate statement. When the rupee was worth 2/-, a merchant who sold Indian wheat in London at 40/- per quarter, could convert that sum into *20* rupees. He could then give the Indian producer 20 rupees (less the merchant's profit and expenses) for his wheat. But now as the gold price of the rupee has fallen to (say) 1/6 instead of 2/- (it has fallen more, but I take this figure for convenience) it is apparent that 30/- per quarter in London will now yield 20 rupees just as 40/- did before.

$$\frac{30/-}{1/6} = \frac{40/-}{2} = 20 \text{ rupees.}$$

The price of wheat, therefore, having fallen in England from 40/- to 30/- per quarter, what is the relative position of the Indian producer and the English farmer? The former receives 20 rupees as before, and inasmuch as the rupee in India buys as much of everything as ever it did, the Indian producer remains in the same position as before. But, inasmuch, and so far as adjustments have not yet taken place in all the English items of cost of production, or in all prices, the English farmer is *pro tanto* handicapped. The Indian producer can make a profit when the English farmer cannot. Similarly, in regard to the export of our manufactures to India, as the rupee has not decreased in purchasing power, prices in India have not risen. The Indian consumer cannot give any more rupees for English goods. But if the merchant gives as

much gold for goods to export as he did before (say 40/-), he will only receive 30/- in return, for he will get no more than 20 rupees, (the rupee price, which corresponded to 40/-, and yielded a profit when the rupee was at 2/-) —and these 20 rupees when converted into gold at 1/6 will only yield 30/-. The merchant, therefore, must get the goods from the manufacturer at 30/- instead of 40/-, or he will make no profit. Under these circumstances, I need not tell you, he will do no business. If the merchant does no business, the manufacturer cannot sell his productions. Thus the latter has ultimately to accept the 30/- for his goods or stop his works. Unless he is able to reduce his cost, so as to meet this reduction in price (which it is well known under present circumstances he cannot), the manufacturer's profit disappears, hence the depression of trade.

III. Bimetallism as a Remedy.

It is desirable that I should in the first place under this head describe what Bimetallism is.

In Sec. 116 of Part I. of the Royal Commission's Report its two essential features are given as—

1. An open Mint, ready to coin any quantity of either gold or silver which may be brought to it.

2. The right on the part of a debtor to discharge his liabilities, at his option, in either of the two metals, at a ratio fixed by law.

I may add that the system, in order to be *completely* effective, ought to be sanctioned and adopted by international agreement between the principal commercial countries of the world—though, as a matter of fact, it was effective when only France and the Latin Union opened their mints to silver.

At the present moment, and since 1873, no mint in Europe is open to the unlimited coinage of silver. The consequence

is silver in the Western part of the world is only a commodity. On the other hand, in the East, gold is not currency. Though it may occasionally be used for that purpose, silver is the sole standard of value.

Prices, therefore, in one half of the world are dependent, as I have already shown, upon the proportion existing between commodities and gold. In the other half they depend upon the proportion between commodities and silver.

Now if by international arrangement both silver and gold were treated as currency, and if a fixed ratio were established between them, it is apparent that it would put an end to the confusion between gold prices and silver prices, as well as to all the evils which result when a divergence takes place in the relative value of gold and silver. There would be one standard of value instead of two throughout the world. This surely need not be regarded as such a revolutionary or nonsensical proposal as some anti-bimetallists insist it is. A universal or international system of weights and measures is generally considered as a consummation devoutly to be wished; but a universal or international standard of value is much more important, for the whole fabric of prices as well as all the complex machinery of contracts, and commercial exchanges depend upon it.

Now let us see how this system, if it were established, would meet the evils of variations in price and exchange which I have described.

I. *As to Prices.*—Inasmuch as under Bimetallism at a fixed ratio, prices would be regulated by the proportion between commodities and the whole mass of silver and gold together in circulation for the purposes of exchange, instead of separately, any variation in the supply of, or demand for, the two metals together would be less than if the variation occurred in the case of one only. For the proof of this I cannot do better than refer you to Mr. Hucks Gibb's evi-

dence before the Royal Commission in the First Report. Question 3,662.

"CURRENCY COMMISSION.

"FIRST REPORT.—*Page 185.*

"3661. Let me suppose two communities A and B (which may stand for the whole commercial world), each employing £10,000,000 sterling as money. I will first consider them as monometallic: A using gold, and B silver. (1) If in any year £1,000,000 more gold is produced than suffices to provide for wear and tear, and the natural increase of population, the measure of value in A is increased by 10 per cent, and prices, so far as that effects them, increase in like proportion. (2) If in any year gold remains constant, but £1,000,000 more silver is produced than is required for the objects above stated the measure of value, and consequently the prices of commodities in B are increased 10 per cent. (3) If both gold and silver are produced in the same excess, prices are *pro tanto* raised 10 per cent in both A and B. (4) If £1,000,000 less of either metal is produced than is needed for wear and tear and increase of population the opposite result is obtained, and prices are lowered 10 per cent in A or B, or both, as the case may be. (5) If one metal be produced in excess and the other falls off by the same amount, £1,000,000, the same disturbance takes place. Prices rise 10 per cent in one community, and fall 10 per cent in the other. There is no compensatory action, no direct compensatory action, I think I should add. I will now consider the two communities as bimetallic, A and B using £20,000,000 between them, half gold half silver. (1) It is obvious that in this case the excess of £1,000,000 gold will increase the measure of value, and consequently prices, 5 per cent. (2) And that the like excess of silver would have exactly the same effect, 5 per cent. (3) While the simultaneous excess of £1,000,000 of both gold and silver would cause an increase of 10 per cent. (4) The opposite result of a fall of price of 5 per cent in two cases, and of 10 per cent in one, would be caused by the production being in defect instead of in excess. (5) But in the supposed case of abnormal increase of one metal and abnormal deficiency of the other to a like amount, no disturbance whatever is caused to the bimetallic communities.

Thus in two cases out of three, where any disturbance takes place in a bimetallic country, it is half the amount of the disturbance which is caused in the monometallic country affected by the supposed excess or defect of production; and in the third case the disturbance is the same in both the monometallic and bimetallic communities. But a fourth case occurs (5) in which the disturbance in the two monometallic communities is 10 per cent and in the two bimetallic communities nothing at all."

II. *As to Exchange.*—No variations in exchange would occur from divergence in the relative value of silver and gold, for such a divergence could not occur, except to a limited extent from temporary and local cause. The fixed ratio would act like the governor of a steam engine, and keep the relative value practically steady.

I have not time now to deal with the various objections which have been raised against the proposed system. Many of them do not deserve an answer, for they evidently proceeded from ignorance. But the most common one I must notice.

It is said a fixed ratio of value between two commodities is an impossibility.

I give two answers, which, I think, ought to be sufficient.

I. The alleged impossibility is theoretically unsound.

II. It has been practically disproved.

In support of the first statement I appeal to Part II. of the Report, signed by the Commissioners, who appear, at present, unwilling to recommend Bimetallism, and who may therefore be looked upon as hostile witnesses. At Sec. 107 of Part II. these Commissioners say: "We think that in any conditions fairly to be contemplated in the future, so far as we can forecast them from the experience of the past, a stable ratio might be maintained if the nations we have alluded to (United Kingdom, Germany, the United States, and the Latin Union) were to accept and strictly adhere to Bimetallism at the suggested ratio. We think

that if in all these countries gold and silver could be freely coined, and thus become exchangeable against commodities at the fixed ratio, the market value of silver as measured by gold would conform to that ratio and not vary to any material extent."

II. For 200 years, from 1666 to 1873, the experiment was practically tried, under varying conditions and subject to some very severe tests. The result is given in the following table, which I present on the authority of Mr. Giffen, a determined anti-bimetallist. (Recent changes in Prices and Incomes, compared page 53.)

Years.		Ratio Silver to Gold.
1501—1520	... ...	10·75:1
1521—1540	... ...	11·25:1
1541—1560	... ...	11·30:1
1561—1580	... ...	11·51:1
1581—1660	... ...	11·80:1
1601—1620	... ...	12·25:1
1621—1640	... ...	14·00:1
1641—1660	... ...	14·50:1
1661—1680	... ...	15·00:1
1800	... ...	15·50:1
1800—1850	... ...	15·75:1
1850—1870	... ...	15·40:1
Present time	... ...	22·00:1

From these figures it will be seen that while from the years 1500 to 1660 the ratio of silver to gold was increasing (that is, while its relative value was declining), from 1660 to 1870 under the Bimetallic law—though irregularly and unsystematically applied—the ratio remained remarkably and practically steady—only varying from 15· to 15·40. And again, since 1873 when the Bimetallic system was abolished, the ratio has been most violently disturbed, rising from 15·40 to 1 in 1870 to 22 to 1 at the present time.

The yearly figures from 1873, which may be found in the First Report of the Commission (Appendix I., page 307) are very remarkable as showing the unprecedented fall in the value of silver, as compared with gold since the bimetallic link which practically existed since 1666 till 1873 was finally broken.

I must now close. I have by no means exhausted the subject, though I fear I may have exhausted the patience of my audience. I have only sought to introduce this question to your notice. I trust you will follow it out by careful study and dispassionate discussion.

P. T. OVER.

BIMETALLIC LEAGUE.

"The object of the League is to urge upon the British Government the necessity of co-operating with other leading Nations for the establishment, by International agreement, of the free coinage of Gold and Silver, at a fixed ratio."

President.
HENRY H. GIBBS.

Chairman of General Council.
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STATEMENT.

UNTIL the year 1873 the ratio at which Gold and Silver were interchangeable was steady, because the Mints of France and other European countries were open to all the world for the unlimited coinage of both metals on the fixed basis of $15\frac{1}{2}$ Silver to 1 of Gold.

*It may be stated generally that during the last century the national unit of coinage which constituted the standard of value in the principal countries practically rested on both metals, Silver being usually the nominal standard with Gold rated to it, at the discretion of each Government.

In the United Kingdom, from 1717 to 1816, this system prevailed, the ratio of Gold to Silver having been fixed at 1 to 15·21.

In the United States of America the double standard was originally adopted in 1786 with a ratio of 1 to 15·25; changed in 1792 to 1 to 15, and in 1834 to 1 to 16.

In 1803 the double standard, with a ratio of $15\frac{1}{2}$ to 1, was definitively adopted by France, and in 1865 the formation of the Latin Union, ultimately consisting of France, Italy, Belgium, Switzerland and Greece, extended and confirmed it.

Owing to this, the par of exchange between Gold and Silver Standard countries kept practically uniform, and Silver, as fully as Gold, performed the functions of money throughout the world.

The action of England in 1816, in adopting the single Gold Standard, did not disturb the steadiness of the ratio between the two metals, so long as the Continental Mints remained open to Silver; but when Germany in 1873 decided to adopt the single Gold Standard the old equilibrium was destroyed, because France and the other Bimetallic countries, in view of the heavy sales of Silver made by Germany, suspended their free coinage.

This action caused the price of Silver, as quoted in Gold, to fall, and it has since fluctuated violently, affecting all international exchanges between Silver Standard and Gold Standard countries. In the case of India the Rupee, formerly worth about 2s., has gradually dropped below 1s. 5d. in English money, with increasing uncertainty as to its prospective exchangeable value as against Gold.

*This and the three following paragraphs are from the NOTE appended to the Final Report of the Royal Commission on Gold and Silver, by the Right Hon. Sir Louis Mallet, C.B., one of the Royal Commissioners.

The substitution of Gold for Silver, and the greater amount of exchange work that is in consequence thrown upon Gold, has led to the appreciation of that metal, and to a fall in prices of commodities, as measured in Gold, which is everywhere visible, and everywhere baneful in its effects upon commerce, upon manufacturing and agricultural industry, and upon the growth of employment necessary to provide work for our rapidly increasing population.

Convinced of the evils resulting from existing conditions of our Monetary System, and of the hindrance to trade and agriculture which are largely due to the disturbed relation between Gold and Silver, we appeal to every one for co-operation in carrying out the objects of the League.

There is every encouragement to press the matter, seeing that the United States of America, France, Germany, and Holland are willing and eager to co-operate.

These powers, it is known, will not move without England, and under an erroneous conception of the advantages of a single Gold Standard, this country has hitherto stood aloof.

The Final Report of the Royal Commission on Gold and Silver is however of a character so favourable to the Cause of Bimetallism that the question is now thoroughly ripe for settlement.

It is advisable, therefore, that the facts of the case may be made widely known throughout the country, in order to bring the force of public opinion to bear upon Parliament and upon the Government, so that England, instead of being a barrier in the way of an International convention, may take her due share in the settlement of a question so vital to the well-being of the Empire, so essential to the interests of British and Irish Agriculture, and of Commerce everywhere, and to the financial stability of India.

Any further information concerning the League may be obtained from the Secretary, Mr. Henry Mc Niel, F.S.S., Haworth's Buildings, 5, Cross Street, Manchester, who will also acknowledge Subscriptions and Donations.

The League comprises Members and Associates, the Annual Subscription of the former being One Guinea, and the latter 2s. 6d. Cheques to be made payable to the Secretary.

EXTRACTS FROM THE FINAL REPORT OF THE ROYAL COMMISSION ON GOLD AND SILVER, 1888.

PART I.

(Signed by all the members of the Commission.)

Sec. 115.—"The Remedy which has been put before us most prominently and as most likely to remedy the evils complained of to the fullest extent possible, is that known as Bimetallism."

Sec. 190.—"Prior to 1873 the fluctuations in the price of silver were gradual in their character, and ranged within very narrow limits. The maximum variation in 1872 was $\frac{5}{8}$d., and the average not quite $\frac{5}{16}$d., while in 1886 the maximum was $2\frac{9}{16}$d., and the average nearly $1\frac{1}{8}$d. It has not been, and indeed hardly could be, suggested that this difference can be accounted for by changes in the relative production or actual use of the two metals."

Sec. 191.—"The explanation commonly offered of these constant variations in the silver market is that the rise or depression of the price of silver depends upon the briskness or slackness of the demand for the purpose of remittance to silver-using countries, and that the price is largely affected by the amount of the bills sold from time to time by the Secretary of State for India in Council.

"But these causes were, as far as can be seen, operating prior to 1873, as well as subsequent to that date, and yet the silver market did not display the sensitiveness to these influences from day to day and month to month which it now does."

Sec. 192.—"These considerations seem to suggest the existence of some steadying influence in former periods, which has now been removed, and which has left the silver market subject to the free influence of causes, the full effect of which was previously kept in check. The question, therefore, forces itself upon us:—Is there any other circumstance calculated to affect the relation of silver to gold which distinguishes the latter period from the earlier?

"Now undoubtedly, the date which forms the dividing line between an epoch of approximate fixity in the relative value of gold and silver and one of marked instability, is the year when the bimetallic system which had previously been in force in the Latin Union ceased to be in full operation; and we are irresistibly led to the conclusion that the operation of that system, established as it was in countries the population and commerce of which were considerable, exerted a material influence upon the relative value of the two metals.

"So long as that system was in force we think that, notwithstanding the changes in the production and use of the precious metals, it kept the market price of silver approximately steady at the ratio fixed by law between them, namely $15\frac{1}{2}$ to 1."

Sec. 193.—"Nor does it appear to us *a priori* unreasonable to suppose that the existence in the Latin Union of a bimetallic system with a ratio of $15\frac{1}{2}$ to 1 fixed between the two metals should have been capable of keeping the market price of silver steady at approximately that ratio.

"The view that it could only affect the market price to the extent to which there was a demand for it for currency purposes in the Latin Union, or to which it was actually taken to the mints of those countries is, we think, fallacious.

"The fact that the owner of silver could, in the last resort, take it to those mints and have it converted into coin which would purchase commodities at the ratio of $15\frac{1}{2}$ of silver to one of gold, would, in our opinion, be likely to affect the price of silver in the market generally, whoever the purchaser and for whatever country it was destined. It would enable the seller to stand out for a price approximating to the legal coin and would tend to keep the market steady at about that point."

PART II.

Signed by six members of the Commission.—

Lord HERSCHELL.	Hon. C. W. FREEMANTLE, C.B.
Sir JOHN LUBBOCK Bart., M.P.	Sir T. H. FARRER, Bart.
Mr. J. W. BIRCH.	Rt. Hon. LEONARD H. COURTNEY, M.P.

Sec. 9.—"However much opinions may differ as to the extent of the evil arising from the increased difficulty which a fluctuating exchange interposes, we do not think its reality is open to question."

Sec. 101.—"There cannot be two opinions as to the very serious effect which the continued fall in the gold price of silver has had on the finances of the Government of India."

Sec. 102.—"We are fully impressed with a sense of the difficulties which surround the Indian Government, and of the serious questions to which any proposed additional tax must give rise. It is not only the embarrassment which has already been caused to the Government of India that has to be borne in mind, but the impossibility of foreseeing to what extent those embarrassments may be increased, and their difficulty augmented by a further depression in the value of silver."

Sec. 107.—"We think that in any conditions fairly to be contemplated in the future, so far as we can forecast them from the experience of the past, a stable ratio might be maintained if the nations we have alluded to* were to accept and strictly adhere to bimetallism, at the suggested ratio. We think that if in all these countries gold and silver could be freely coined, and thus become exchangeable against commodities at the fixed ratio, the market value of silver as measured by gold would conform to that ratio, and not vary to any material extent."

Sec. 119.—"Apprehensions have been expressed that if a Bimetallic system were adopted gold would gradually disappear from circulation. If, however, the arrangement included all the principal commercial nations, we do not think there would be any serious danger of such a result.

"Such a danger, if it existed at all, must be remote. It is said indeed, by some, that if it were to happen, and all nations were to be driven to a system of silver monometalism, the result might be regarded without dissatisfaction.

"We are not prepared to go this length, but at the same time we are fully sensible of the benefits which would accrue from the adoption of a common monetary standard by all the commercial nations of the world, and we are quite alive to the advantage of the adoption by these nations of an uniform Bimetallic Standard as a step in that direction."

PART III.

Signed by the other six members of the Commission.—

Rt. Hon. Sir LOUIS MALLET, C.B.	Sir D. BARBOUR, K.C.S.I.
Rt. Hon. A. J. BALFOUR, M.P.	Sir W. H. HOULDSWORTH, Bart., M.P.
Rt. Hon. HENRY CHAPLIN, M.P.	Mr. SAMUEL MONTAGU, M.P.

Sec. 28.—"We think that the above remarks upon the evils affecting both the United Kingdom and India, if taken in connexion with the more detailed statement in Part I. of the Report, will sufficiently indicate our view as to their nature and gravity; and that they are largely due to the currency changes which have taken place in the years immediately preceding and following 1873.

"We think that too much stress cannot be laid upon the novelty of the experiment which has been attempted as the result of the above changes. That experiment consists in the independent and unregulated use of both gold and silver as standards of value by the different nations of the world.

"We are strongly of opinion that both metals must continue to be used as standard money; the results of using them separately and independently since 1873 have been most unsatisfactory, and may be positively disastrous in the future.

"It cannot be questioned that until 1873 gold and silver were always effectively linked by a legal ratio in one or more countries.

"It is equally indisputable that the relative value of the two metals has been subject to greater divergence since 1874 than during the whole of the 200 years preceding that date, notwithstanding the occurrence of variations in their relative production, more intense and more prolonged than those which have been experienced in recent years."

* The United Kingdom, Germany, the United States, and the Latin Union.

Sec. 29.—"In 1873-74 the connecting link disappeared, and for the first time the system of rating the two metals ceased to form a subject of legislation in any country in the world.

"The law of supply and demand was for the first time left to operate independently upon the value of each metal; and simultaneously the ratio which had been maintained, with scarcely any perceptible variation, for 200 years gave place to a marked and rapid divergence in the relative value of gold and silver, which has culminated in a change from 15½ to 1 to 22 to 1."

PROPOSED REMEDY.

Sec. 30.—"It appears to us impossible to attribute the concurrence of these two events to a merely fortuitous coincidence. They must, in our opinion, be regarded as standing to each other in the relation of cause and effect.

"We cannot, therefore, doubt that if the system which prevailed before 1873 were replaced in its integrity, most of the evils which we have above described would be removed; and the remedy which we have to suggest is simply the reversion to a system which existed before the changes above referred to were brought about; a system, namely, under which both metals were freely coined into legal tender money at a fixed ratio over a sufficiently large area.

"The effects of that system, though it was nominally in force only within a limited area, were felt in all commercial countries, whatever their individual systems of currency might be; and the relative value of the two metals in all the markets of the world was practically identical with that fixed by the legislation of the countries forming the Latin Union.

"As regards the possibility of maintaining such a system in the future, we need only refer to the conclusion at which our colleagues have arrived in Sec. 107 Part II. (see above), and with which we entirely agree."

Sec. 34.—"No settlement of the difficulty is, however, in our opinion, possible without international action.

"The remedy which we suggest is essentially international in its character, and its details must be settled in concert with the other Powers concerned.

"It will be sufficient for us to indicate the essential features of the agreement to be arrived at, namely—

(1) Free coinage of both metals into legal tender money; and

(2) The fixing of a ratio at which the coins of either metal shall be available for the payment of all debts at the option of the debtor."

Sec. 35.—The particular ratio to be adopted is not, in our opinion, a necessary preliminary to the opening of negotiations for the establishment of such an agreement, and can, with other matters of detail, be left for further discussion and settlement between the parties interested.

"We, therefore, submit that the chief commercial nations of the world, such as the United States, Germany, and the States forming the Latin Union, should in the first place be consulted as to their readiness to join with the United Kingdom in a conference, at which India and any of the British Colonies which may desire to attend should be represented, with a view to arrive, if possible, at a common agreement on the basis above indicated."

Sec. 36.—"We have indicated what appears to us to be the only permanent solution of the difficulties arising from the recent changes in the relative value of the precious metals, and the only solution which will protect this and other countries against the risks of the future."

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